

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 2110
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

February 3, 2004

Thomas M. Dorman, Esq.
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2003-00434

Dear Mr. Dorman:

Please find enclosed the original and twelve copies of the Final Version of the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. to Kentucky Utilities Company filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place this document of file.

Very Truly Yours,



David F. Boehm, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
 Richard Raff, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 3rd day of February, 2004.

Michael S. Beer, Vice President, Rates & Regulatory
Kentucky Utilities Company
P. O. Box 32010
Louisville, KY 40232-2010

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Honorable David C. Brown
Stites & Harbison, PLLC
400 West Market Street, Suite 1800
Louisville, KY 40202

Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KY 40507

Honorable Linda S. Portasik
Senior Corporate Attorney
Kentucky Utilities Company
c/o Louisville Gas & Electric Co.
P. O. Box 32010
Louisville, KY 40232-2010

Honorable Kendrick R. Riggs
Ogden, Newell & Welch, PLLC
1700 Citizens Plaza
500 West Jefferson Street
Louisville, KY 40202
(Via Electronic Mail)

Honorable Richard S. Taylor
Capital Link Consultants
225 Capital Avenue
Frankfort, KY 40601

Ronald M. Watt, III
Stoll Keenon & Park LLP
300 West Vine Street, Suite 2110
Lexington, Kentucky 40507-1801


David F. Boehm, Esq.

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of Adjustment of Electric Rates of :
Kentucky Utilities Company : Case No. 2003-00434

**FINAL VERSION OF THE
FIRST SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. to
KENTUCKY UTILITY COMPANY**

Dated: February 3, 2004

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
12. "KU" means Kentucky Utilities Company, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**KIUC's FINAL VERSION OF
FIRST SET OF DATA REQUESTS TO KU
PSC CASE NO. 2003-00434**

1. Please provide copies of the most recent bond rating agency reports for Kentucky Utilities Company.
2. Please provide copies of all work papers, supporting documentation, articles, studies, and other material cited and/or relied upon by Mr. Rosenberg in preparing his testimony for Kentucky Utilities. Please provide electronic copies of all spreadsheets with cell formulas intact.
3. If not supplied previously, please provide a copy of the Ibbotson Associates *Risk Premium Over Time Report: 2003*.
4. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 1. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
5. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 2. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
6. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 3. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
7. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 4. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
8. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 5. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
9. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 6. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
10. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 7. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
11. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 8. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
12. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 9. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
13. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 10. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.
14. Please provide an electronic copy (on diskette or CD) of Seelye Exhibit 11. Please include all work papers and supporting documentation used and relied upon by Mr. Seelye in the preparation of this Exhibit. Provide all electronic spreadsheets with cell formulas intact.

29. If not provided in response to a previous request, please provide (in electronic form, with formulas intact) all work papers, analyses, etc. supporting the development of the zero-intercept calculations as used by Mr. Seelye in the BIP cost of service study. Also include all statistical analyses performed.
30. Please provide all workpapers, including statistical analyses, input data, etc. in electronic form (spreadsheet or other form) on a disk or CD underlying the analysis of Large Commercial Customers Rate of Return vs. Average Load Factor shown on page 32 of Mr. Seelye's testimony.
31. With regard to Mr. Seelye's testimony on the Curtailable Service Rider changes, beginning on page 44 of his testimony, please provide each analysis, workpaper or other support for the proposed changes, including any customer impact analysis that may have been prepared by the Company or its consultants. Also include workpapers supporting the voltage differentials (e.g., primary, transmission).
32. Please provide a schedule showing the amount of curtailable load by customer, for each customer during the test year and the prior 3 years (can be on a calendar year basis). Provide the date the customer first contracted for curtailable service, the mw subject to interruption and the number of hours that the customer was actually interrupted during the test year and each of the prior 3 years.
33. Please provide all for the test year and each of the prior 3 years the number of hours of generation, by unit, by month, for each of the Company's combustion turbines. Also provide the most recently prepared production cost simulation reports for KU that would show the expected number of hours of operation for each of the Company's combustion turbines over the next 5 years (at a minimum), including any new CT's added during this 5 year period. Provide the actual output reports from such a production cost analysis that would contain the requested data (including, but not limited to: name of unit, capacity in mw, output in mWh, capacity factor, average heat rate, hours of operation).
34. Please provide the Company's protocols or procedures used to determine interruptions of curtailable customers (i.e., instructions used by system operators to actually interrupt customers). Include the specific criteria used to make the decision as to whether or not to interrupt one or more customers.
35. With regard to the Company's criteria for interrupting interruptible or curtailable customers, does the Company interrupt all customers at the same time, for the same duration? If not, please provide the practice used to determine customer interruptions (e.g., a rotational scheme wherein customers are selected for interruption from an ordered list, that is sequentially implemented).
36. If not provided in response to a previous request, please provide the cost support for the proposed "non-compliance" penalty increase from \$15 to \$16 per kW. Please prepare a summary schedule showing the number of non-compliance events which actually occurred over the last 3 years and the test year.
37. Please provide a description of the methodology used by the Company to reflect interruptible load in the development of each of the "demand allocators" used in the cost of service study. Also provide all workpapers supporting the calculations, adjustments, etc. that were made to reflect interruptible load. Please identify, by retail rate schedule (as used in the cost of service study) the amount of interruptible or curtailable load. For each such rate schedule, provide the NCP, NCPP, SICD, SCP, WCP and BDEM associated with interruptible or curtailable load.
38. Please provide a detailed description of the methodology used by the Company to allocate costs that are recovered through the environmental surcharge. Please identify each revenue, expense, rate base, or other component of the Company's cost of service study that includes costs or revenues that are recovered or paid through the environmental surcharge. For each such cost (e.g., O&M expense, production rate base, etc.) that is included in the environmental surcharge, please provide the method used to allocate this cost item in the cost of service study filed in this case. If these costs were not included in the cost of service study, please provide an explanation for not including them and provide workpapers or schedules detailing how these costs were removed from test year expenses, revenues and investment.

39. Please provide an explanation for Mr. Seelye's statement on page 30, line 20 of his testimony for not increasing "National American Stainless", based on the cost of service study results. Is it the Company's policy that classes that have rates of return at present rates above the system average should not receive an increase? What is the justification for decreasing the Special Contracts class (1.39% decrease), while increasing other rate classes with rates of return above the system average?
40. During the test year, please provide the following information regarding the NAS contract.
- Number of kWh by month purchased by NAS from KU;
 - Total amount paid by month by NAS from KU;
 - Average price per kWh paid by month by NAS;
 - Monthly peak demand of NAS;
 - A chronological list of each time NAS was interrupted and the duration of the interruption.
41. With regard to account 501, fuel, please provide the test year expense by month. Also provide the monthly amounts separated by on-peak weekday, weeknight and weekend period. Alternatively, this information can be provided by month corresponding to the Company's designation of base, intermediate and peak periods. Provide a similar breakdown of the energy portion of account 555, purchased power for the test year.
42. Please provide, by rate class (as used in the cost of service study), by month, mWh energy corresponding to the on-peak weekday, off-peak weekday and weekend periods defined by the Company in its response to the previous question. Also provide, on an hourly basis, estimated (either actual or based on sample load research data) rate class energy use by hour for the test year. State whether the data reflects energy at the meter or energy adjusted for losses.
43. For each generating unit that operated during the test year, please provide the following:
- The average monthly heat rate, by month.
 - In electronic form, on a disk or CD, please provide the hourly output of the unit, by hour.
 - If available, please provide the hourly fuel cost of the unit, by hour, in electronic form on a disk or CD.
 - Provide the monthly fuel, by month, cost booked for the unit.
44. For each purchased power purchase, please provide the following:
- In electronic form, on a disk or CD, please provide the hourly mWh of the purchase, by purchase.
 - In electronic form, on a disk or CD, please provide the hourly cost of the energy portion of the purchase, by purchase.
 - The method used by the Company to separate the cost of the purchase into energy and demand components (if this is obtained directly from the invoice or contract, please so state and provide summary schedules showing the development of the separate energy and demand components).
45. If not provided in response to a previous request, please provide for each rate class included in the cost of service study (as a separate class), monthly energy at generation voltage. Also provide the monthly amounts separated by on-peak weekday, weeknight and weekend periods. Alternatively, this information can be provided by month corresponding to the Company's designation of base, intermediate and peak periods.
46. Please provide in electronic form (disk, cd) a file containing the hourly system lambda for the test year.
47. With regard to Mr. Seelye's testimony on a Rider for Intermittent and Fluctuating Loads ("IFL"), beginning on page 46 of his testimony, please provide each analysis, workpaper or other support for the proposed changes, including any customer impact analysis that may have been prepared by the Company or its consultants. This analysis should include the number of customers that would be affected by the Rider, the names of each customer affected by the Rider, and the yearly revenue expected to be received by the Company from the Rider.

48. With regard to Mr. Seelye's testimony on an Excess Facilities Rider, beginning on page 46 of his testimony, please provide each analysis, workpaper or other support for the proposed changes, including any customer impact analysis that may have been prepared by the Company or its consultants. This analysis should include the number of customers that would be affected by the Rider, the names of each customer affected by the Rider, and the yearly revenue expected to be received by the Company from the Rider.
49. With regard to Mr. Seelye's testimony on the Redundant Capacity Rider, beginning on page 48 of his testimony, please provide each analysis, workpaper or other support for the proposed changes, including any customer impact analysis that may have been prepared by the Company or its consultants. This analysis should include the number of customers that would be affected by the Rider, the names of each customer affected by the Rider, and the yearly revenue expected to be received by the Company from the Rider.
50. Please provide the Companies' rationale for removing unbilled revenues from operating revenues.
51.
 - a. Please identify the specific provisions of the Case Nos. 2000-080 and 90-158 Orders and/or filings relied on by Mr. Seelye to support the Companies' position that unbilled revenues should be removed from operating revenues. KIUC has been unable to locate a single reference to unbilled revenues in the Case No. 2000-080 Order. To the extent the Companies have relied upon their filings and not the Commission's Orders in these dockets, then please provide a copy of the relevant portions of the Companies' filings.
 - b. Does LG&E agree that the Case No. 2000-080 Order includes no reference to unbilled revenues? Does LG&E agree that the removal of unbilled revenues, regardless of the treatment in the filing, was not affirmatively adjudicated by the Commission in that proceeding? Please explain your response.
 - c. Do the Companies agree that the Case No. 90-158 Order addressed only the "initial booking of unbilled revenues reported by LG&E in January 1990" and not the recurring aspect for the net change in unbilled revenues (current month accrual less reversal of prior month accrual) reported by the Companies in operating revenues in their financial statements each month since January 1990 (at least for LG&E)? Please explain your response.
52. Please indicate why the Companies have not made adjustments to fuel expenses to avoid the recovery through base rates of line losses on off-system sales that are not recoverable through the fuel adjustment clause pursuant to Commission Orders. If the Companies have made such adjustments or they are embedded in other adjustments, then please describe and separately quantify.
53. Please quantify the adjustment to fuel expenses necessary to avoid the recovery through base rates of line losses on off-system sales that are not recoverable through the fuel adjustment clause pursuant to Commission Orders.
54. Refer to Rives Exhibit 1 Schedule 1.05. Please indicate whether the off-system sales revenues used in the actual computation of the Companies' ECR tariff rates also exclude intercompany off-system sales revenues and are consistent with the Companies' computations in column 3 of this schedule. If the Companies' off-system sales revenues used in the actual ECR tariff rates do not exclude intercompany sales revenues, then please explain why the Companies excluded these revenues on this schedule.
55. Please indicate whether the depreciation rates proposed by the Companies include interim additions. If so, please identify the section(s) of the depreciation studies wherein this is described.
56. Refer to Section 2 of the AUS depreciation studies. Please provide a copy of the depreciation study(ies) that support the "present rates" currently authorized by the Commission.

57. Refer to the AUS depreciation studies and the depreciations study(ies) that support the present depreciation rates. Please identify, describe, and provide the reasons for each change in methodology between the current and prior studies, if any.
58. Please describe whether interim retirements were included in the proposed depreciation rates at future, current, or historic dollar levels. Cite the relevant portions of the depreciation studies relied upon for your response.
59. Refer to Section 7 of the AUS depreciation studies. Please provide the rationale for utilizing an inflation factor to increase the historic average rates of gross salvage and cost of removal as a percentage of gross plant retired before including these components in the proposed depreciation rates.
60. Refer to Section 7 of the AUS depreciation studies. Please describe the basis for the 2.75% annual inflation rate utilized to compute the "inflation factor at 2.75% to ASL." Provide copies of source documents relied on for this 2.75% rate.
61. Refer to page 4-4 of the AUS depreciation studies addressing the proposed depreciation rates for plant account 312. Please provide all documentation relied on, including all computations, to conclude that the actual historic 13% negative salvage (LG&E) and 20% negative salvage (KU) should be increased to a projected 20% negative salvage (LG&E) and 30% negative salvage (KU) on interim retirements for purposes of the proposed depreciation rates.
62. Refer to page 4-4 of the AUS depreciation studies addressing the proposed depreciation rates for plant account 312. Describe specifically the consideration given to and all adjustments made to the historic interim retirement and net salvage data to factor out the nonrecurring costs of the initial compliance with the CAAA, if any. If none, please explain whether AUS believes that the same level of interim retirements and net salvage will recur in the future in order to comply with the CAAA.
63. Please provide all workpapers, both hard copy and in electronic spreadsheet format (with cell formulas intact) underlying the Companies' proforma adjustments reflected in the schedules comprising Rives Exhibit 1 that are not included in the Companies' filings. For example, it does not appear that there is a workpaper in the filing detailing the assumptions and computations underlying Schedule 1.11 line 2 "Annualized depreciation expense with new rates."
64. Please describe the Companies' allocation of certain depreciation expense, such as that for vehicles, through clearing accounts, so that these allocated depreciation expense amounts are recognized in O&M expense accounts rather than as depreciation expense for reporting purposes.
65. To the extent that a portion of the Companies' depreciation expense is recognized as O&M expense rather than depreciation expense, please describe how the Companies reflected this fact on Schedule 1.11 line 2 "Annualized depreciation expense with new rates." Provide a copy of all supporting documentation that would enable a quantification of the amount of depreciation expense recognized as O&M expense under present and proposed depreciation rates.
66. Refer to Tab 37 and the Comparative Statement of Income for the twelve months ending September 2003. For KU, please explain why other operation expense increased more than 76% in 2003 compared to the same period in 2002. For LG&E, please explain why other operation expense increased more than 222% in 2003 compared to the same period in 2002. Specifically identify cost increases and decreases of \$1 million or more for each Company.
67. Refer to Tab 37 and the Comparative Statement of Income for the twelve months ending September 2003. Please provide a copy of all variance analyses for operations expense in the twelve months ending period September 2003 compared to the year earlier period prepared for the use of management or other reporting purposes at the Company, LG&E Energy, Powergen, and/or E.on. A variance analysis is defined as the quantification and explanation of differences in costs for the current period compared to the prior period.

68. Refer to Tab 37 and the Comparative Statement of Income for the twelve months ending September 2003. For KU, please explain why maintenance expense increased more than 27% in 2003 compared to the same period in 2002. For LG&E, please explain why maintenance expense decreased more than 21% in 2003 compared to the same period in 2002. Specifically identify cost increases and decreases of \$1 million or more for each Company.
69. Refer to Tab 37 and the Comparative Statement of Income for the twelve months ending September 2003. Please provide a copy of all variance analyses for maintenance expense in the twelve months ending period September 2003 compared to the year earlier period prepared for the use of management or other reporting purposes at the Companies, LG&E Energy, Powergen, and/or E.on. A variance analysis is defined as the quantification and explanation of differences in costs for the current period compared to the prior period.
70. Please provide a copy of the December 2003 monthly managerial reports in the same format as those included in Tab 37 in the Companies' filings.
71. Refer to the Companies' response to the Staff 1st Set Item 13. Please provide the same trial balance information for the 12 months ending September 2002.
72. Refer to the Companies' response to the Staff 1st Set Item 14. Please provide the same balance sheet information for the 12 months ending September 2002.
73. Refer to Schedule 1.13 of Rives Exhibit 1. Please provide a copy of the Mercer study referenced on line 2 of this schedule. In addition, please provide a copy of the comparable study for the previous year. Reconcile the amounts included in both studies to the amount on lines 1 and 2 of this schedule.
74. Please provide a copy of the Companies' most recent actuarial reports for pension costs and other post retirement benefits costs. Also, please provide the Companies' most recent translations of the amounts in those reports to each Company, and for LG&E, between electric and gas, and finally, between expense and other.
75. Refer to page 24 lines 1 – 3 of Mr. Rives' testimony. Please provide copies of the source documents for the \$26.4 million amount cited.
76. Refer to page 24 lines 1 – 3 of Mr. Rives' testimony. The \$26.4 million cited exceeds the \$25.4 million adjustment reflected on Rives Exhibit 2 for this item. Please explain the significance of this relationship.
77. Refer to page 24 lines 1 – 3 of Mr. Rives' testimony. Please provide the computation of net periodic pension cost (and the expense portion) based on this updated information as of September 30, 2003. Also, please provide the source documents relied upon for this purpose, along with all assumptions and workpapers.
78. Refer to Schedule 1.13 of Rives Exhibit 1 line 1. Is this an expense only amount? If not, then please provide the expense only amount.
79. Refer to Schedule 1.13 of Rives Exhibit 1 line 2. Is this an expense only amount? If not, then please provide the expense only amount.
80. Refer to Schedule 1.13 of Rives Exhibit 1 lines 1 and 2. Do either of these amounts include a minimum funding expense amount? If so, then please provide the amount included on each line.
81. Refer to Schedule 1.14 of Rives Exhibit 1. Please explain why the Companies included the 2003 test year amount in the computation of the average storm damage expense.

82. Refer to Schedule 1.14 of Rives Exhibit 1. Please explain why the Companies utilized a 10 year average for storm damage expense.
83. Refer to Schedule 1.19 of Rives Exhibit 1. Please explain why the Companies did not include the 2003 test year amount in the computation of the average injuries and damages expense. Also, please explain the discrepancy in the Companies' use of 2003 test year amounts for the average storm damage expense, while excluding the 2003 test year amounts for the average injuries and damages expense.
84. Refer to Schedule 1.19 of Rives Exhibit 1. Please explain why the Companies utilized a five year average for injuries and damages expense. Also, please explain the discrepancy in the Companies' use of a 10 year average for the average storm damage expense, while using a 5 year average for injuries and damages expense.
85. Please confirm that the Companies do not intend to reflect expense and rate base levels based on SFAS 143 for ratemaking purposes.
86. Refer to Schedule 1.29 of Rives Exhibit 1 (LG&E only). Please explain why the Company has not proposed an amortization of the credit due to the renegotiation of the lease of the LG&E building. In addition, please provide all components of this adjustment "that removes the credit to expense and establishes the rent expense at the actual annual amount under the new lease," consistent with the testimony of Ms. Scott on this issue.
87. Refer to Schedule 1.30 of Rives Exhibit 1 (LG&E only). Please explain why the Company has not proposed an amortization of the insurance recovery for repairs to the Cane Run station.
88. Refer to Schedule 1.30 of Rives Exhibit 1 (KU only). Please explain why the Company has not sought recovery for these environmental costs pursuant to the OMU contract through the ECR rather than base rates, particularly given the post test year timing of the incurrence of this cost.
89. Refer to Schedule 1.32 of Rives Exhibit 1 (KU only). Confirm that these management audit fees date to a 1992 management audit. Did the Company defer these costs as a regulatory asset on its accounting books and is it still on the Company's accounting books as a regulatory asset? If so, please provide the Commission's authorization for such a deferral, including a copy of the relevant portions of any Commission Order to that effect.
90. Please identify and provide a quantification of each of the LG&E/KU merger related costs to achieve savings that were capitalized to plant in service accounts and have been included by the Companies in rate base in this proceeding. Provide the plant in service, accumulated depreciation, accumulated deferred income taxes, and all other related rate base amounts. Provide also the related depreciation expense amounts included in the test year.
91. Please refer to Schedule 1.16 of Rives Exhibit 1 for LG&E (electric and gas) and KU. Please provide all underlying support for the Companies' estimate of rate case expenses. Separately identify and quantify internal and external costs.
92. Refer to Schedule 1.17 of Rives Exhibit 1. Please confirm that none of the BWG audit cost was expensed by the Companies during the test year. If that is not correct, then please provide the amount by FERC account expensed by each Company during the test year.
93. For the test year ended September 30, 2003, please provide the total costs incurred by LG&E Energy Services and the costs assigned and/or allocated from LG&E Energy Services to each Company by cost bucket, such as department, project code, work order, and/or activity, by billing method applied to the cost bucket, and by FERC account.
94. For the twelve months ended September 30, 2002, December 31, 2002, September 30, 2001, and December 31, 2001, please provide the total costs incurred by LG&E Energy Services and the costs

assigned and/or allocated from LG&E Energy Services to each Company by cost bucket, such as department, project code, work order, and/or activity, by billing method applied to the cost bucket, and by FERC account.

95. Refer to Tab 39 Item 1. Please provide the amounts assigned/allocated from LG&E Energy Services to each affiliate, including, but not limited to LG&E and KU, by department, by billing method, and by FERC account for the test year, calendar year 2003, calendar year 2002, and calendar year 2001.
96. Please provide a copy of the Companies' most recent cash working capital lead/lag study.
97. Please provide a copy of the Companies' cash flow assumptions utilized during the test year, including, but not limited to, the number of days lead or lag from delivery of service to cash receipts and from incurrence of costs to cash disbursements for each revenue and cost category.
98. Please provide a detailed description of the Companies' cash flow budgeting and management activities during the test year, including any models, spreadsheet or otherwise, that were utilized, the timing of related analyses, the assumptions that were utilized, the results that were obtained, and the application of these activities to the actual management of cash flow. If the Companies did not engage in any cash flow budgeting or management activities during the test year, then so state.
99. Please provide the daily cash balances for each Company during the test year and the average for the test year.
100.
 - a. Refer to the Companies' responses to Staff 1st Set Item 4(a). Please provide a copy of the loan agreements between each Company and Fidelia for each debt issuance during 2003.
 - b. Please explain why the Companies borrowed from an affiliate rather than a non-affiliate.
 - c. Please indicate whether the Companies sought competitive bids on these amounts of debt financing from non-affiliates. If not, then please explain why not.
 - d. Please provide a schedule of the underlying financing costs of Fidelia, detailing its capitalization and the costs of each component.
 - e. Please provide a copy of all documentation developed or obtained at the time the decision was made to obtain financing from Fidelia that demonstrates it was the least cost option to the Companies at that time.
101.
 - a. Refer to the Companies' responses to Staff 1st Set Item 6(c). Please describe the tax status of LG&E Energy, LLC. Is it a "flow-through" entity or has it elected to be taxed as a corporation under the "check the box" regulations? If it is a flow through entity, please describe the tax treatment it has elected.
 - b. Please indicate whether LG&E and KU are treated as part of a affiliated group for purposes of filing a consolidated U.S. federal tax return, and if so, identify the entity filing the consolidated return and all entities and their tax status (C corporation, S corporation, partnership, LLC flow through entity, LLC corporation entity, etc.) that are included in the affiliated group for this purpose.
 - c. Please describe whether, and if so, on what basis, LG&E Energy, LLC is taxed at the entity level on the taxable income of LG&E and KU for U.S. federal income tax purposes.
 - d. Please describe whether, and if so, on what basis, LG&E Energy, LLC is taxed at the entity level on the dividends paid to it by LG&E and KU for U.S. federal income tax purposes.
 - e. Please describe whether, and if so, on what basis, Powergen and/or any U.S. affiliate of Powergen, other than LG&E Energy, LLC, is taxed at the entity level on the taxable income of LG&E and KU for U.S. federal income tax purposes.
 - f. Please describe whether, and if so, on what basis, E.on and/or any U.S. affiliate of E.on, other than LG&E Energy, LLC or Powergen and/or any U.S. affiliate of Powergen, is taxed at the entity level on the taxable income of LG&E and KU for U.S. federal income tax purposes.
102. Please provide a copy of all interaffiliate tax allocation agreements, including those between E.on, Powergen, LG&E Energy, and the Companies.

103. Please provide all the journal entries booked by each Company to reflect the income tax expense pursuant to the interaffiliate tax allocation agreement(s). Also provide all supporting documentation utilized to make the computations pursuant to the agreement(s).
104. Refer to the Companies responses to Staff 1st Set Item 6(b). Please provide the dividend information requested for each quarter during calendar year 2003. In addition, please the specific dates common dividends were declared by each Company during calendar year 2003.
105. Please explain why KU did not declare any common dividends from the fourth quarter of 2001 at least through the third quarter of 2003. Provide copies of all studies, notes, correspondence, and all other documentation that address this issue.
106. Please provide an explanation for why the Company has proposed rate NCLS.
107. With regard to rate NCLS, please provide the following:
- a. Provide all analyses, studies, etc. used by the Company to determine that it was appropriate and/or necessary to offer and (under certain conditions) require customers to take service under rate NCLS.
 - b. Provide a detailed schedule showing the amount of revenue and the billing determinants used to produce the revenue in the test year, by customer (provide the customer's name in a confidential response). Provide a similar analysis, by customer, which shows the customers revenues under the currently applicable KU rate at present rates and the proposed revenue under rate NCLS, for such customers load and energy that will be served under rate NCLS.
 - c. Provide an estimate of the revenues and billing determinants associated with this charge for the first full 12 month period following the end of the test year in this case.
 - d. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, prior to the Company's filing in this case. If no such communication occurred, please so state.
 - e. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, after the Company's filing in this case. If no such communication occurred, please so state.
 - f. Have the estimated test year revenues that will be produced by this rider been included in the Company's test year revenue calculation, as filed in this case? If so, please provide a specific reference (e.g. schedule X, line Y or page X of workpapers of witness Y). If the estimated test year revenues have not been included in the test year revenue requirement analysis, please provide an explanation for not doing so.
 - g. Please provide the test year revenues associated with this charge by rate class, as defined in the Company's class cost of service study. Were these revenues specifically included in the customer class from which they will be produced? If not, why not?
108. Please identify each KU witness that addresses rate NCLS. Provide the name of the witness, the page number in which the witness begins discussing rate NCLS and the line number of the page. If no KU witness addresses rate NCLS, please provide an explanation for not having addressed this rate in pre-filed testimony.
109. With regard to Mr. Seelye's testimony on the Redundant Capacity Rider, beginning on page 48 of his testimony, please provide the following:
- a. Is this a new rider being proposed for the first time in this case?
 - b. Provide a detailed schedule showing the amount of revenue and the billing determinants used to produce the revenue in the test year, by customer (provide the customer's name in a confidential response).

- c. Provide an estimate of the revenues and billing determinants associated with this charge for the first full 12 month period following the end of the test year in this case.
- d. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, prior to the Company's filing in this case. If no such communication occurred, please so state.
- e. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, after the Company's filing in this case. If no such communication occurred, please so state.
- f. Have the estimated test year revenues that will be produced by this rider been included in the Company's test year revenue calculation, as filed in this case? If so, please provide a specific reference (e.g. schedule X, line Y or page X of workpapers of witness Y). If the estimated test year revenues have not been included in the test year revenue requirement analysis, please provide an explanation for not doing so.
- g. Please provide the test year revenues associated with this charge by rate class, as defined in the Company's class cost of service study. Were these revenues specifically included in the customer class from which they will be produced? If not, why not?

110. With regard to Mr. Seelye's testimony on an Excess Facilities Rider, beginning on page 46 of his testimony, please provide the following:

- a. Is this a new rider being proposed for the first time in this case?
- b. Provide a detailed schedule showing the amount of revenue and the billing determinants used to produce the revenue in the test year, by customer (provide the customer's name in a confidential response).
- c. Provide an estimate of the revenues and billing determinants associated with this charge for the first full 12 month period following the end of the test year in this case.
- d. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, prior to the Company's filing in this case. If no such communication occurred, please so state.
- e. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, after the Company's filing in this case. If no such communication occurred, please so state.
- f. Have the estimated test year revenues that will be produced by this rider been included in the Company's test year revenue calculation, as filed in this case? If so, please provide a specific reference (e.g. schedule X, line Y or page X of workpapers of witness Y). If the estimated test year revenues have not been included in the test year revenue requirement analysis, please provide an explanation for not doing so.
- g. Please provide the test year revenues associated with this charge by rate class, as defined in the Company's class cost of service study. Were these revenues specifically included in the customer class from which they will be produced? If not, why not?

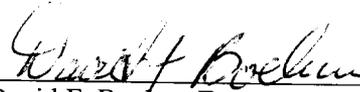
111. With regard to Mr. Seelye's testimony on a Rider for Intermittent and Fluctuating Loads ("IFL"), beginning on page 46 of his testimony, please provide

- a. Is this a new rider being proposed for the first time in this case?
- b. Provide a detailed schedule showing the amount of revenue and the billing determinants used to produce the revenue in the test year, by customer (provide the customer's name in a confidential response).
- c. Provide an estimate of the revenues and billing determinants associated with this charge for the first full 12 month period following the end of the test year in this case.
- d. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, prior to the Company's filing in this case. If no such communication occurred, please so state.

- e. Provide copies of each correspondence (or notes, logs, contacts of other types, whether formal or informal) between the Company and affected customers, explaining this proposed charge to such customers, after the Company's filing in this case. If no such communication occurred, please so state.
 - f. Have the estimated test year revenues that will be produced by this rider been included in the Company's test year revenue calculation, as filed in this case? If so, please provide a specific reference (e.g. schedule X, line Y or page X of workpapers of witness Y). If the estimated test year revenues have not been included in the test year revenue requirement analysis, please provide an explanation for not doing so.
 - g. Please provide the test year revenues associated with this charge by rate class, as defined in the Company's class cost of service study. Were these revenues specifically included in the customer class from which they will be produced? If not, why not?
112. With regard to the proposed LP rate, please explain and provide underlying support, including workpapers, functional cost studies, etc., for the following:
- a. The differential between secondary, primary and transmission voltage demand charges, between present and proposed rates.
 - b. A schedule showing the bill impact on customers currently being served under the HLF rate who will now be served under the LP rate. Show the impact by typical kW demand and load factor groupings (e.g., 3000 kW, 70% load factor). Also provide a separate schedule that shows the actual proposed increase (present revenues versus proposed revenues) for customers currently served under rate HLF.
113. Please provide all of the underlying support, including all studies, analyses and calculations used to derive the cost of "load following" that is included in the NCLS rate.
114. Please provide an explanation and underlying cost support for the proposed 5 minute billing demand in the NCLS rate.
115. Please provide all of the underlying support, including all studies, analyses and calculations used to derive the cost of "load following" that is included in rates LP and LCI-TOD.
116. Please provide copies of all studies, memoranda, or other writings that address the cost of providing load following to retail customers whose demands increase or decrease by more than 20 mVa per minute or 70 mVa per ten minute, when such increase or decreases occur more than once per hour. If no such studies exist, please provide the Company's basis for its proposed NCLS tariff language.
117. Please refer to Mr. Seelye's testimony at p. 29, Table 2.
- a. Regarding the proposed 1.39% decrease for special contracts, please provide the supporting workpapers that show the impact for each special contract.
 - b. Please provide all billing determinants for each special contract.
 - c. Please provide the present and proposed rates for each rate element of each special contract.

- d Please provide the rationale used by the Company to justify the change to each special contract.
- e To the extent that the Company is proposing different increases or decreases for each of its special contracts, please provide an explanation.

Respectfully submitted,



David F. Boehm, Esq.

Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 2110

Cincinnati, Ohio 45202

Ph: (513) 421-2255 Fax: (513) 421-2764

E-Mail: kiuc@aol.com

**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**

February 3, 2004